JAN 2 4 2005

MEMORANDUM

TO: CIO Council
Executive Committee for Acquisition

FROM: Chief Information Officer
Director, Office of Acquisition Management & Policy

SUBJECT: Team Based Earned Value Approach

Attached is an OMB memorandum dated August 23, 2004, which clarifies that the use of Earned Value Management (EVM) is inextricably linked to achieving a status of "green" for E-Gov on the President's Management Agenda (PMA) quarterly scorecard. HHS must strive to achieve the goal of meeting that "green" standard. Also, we intend to comply fully with the related capital asset management requirements under OMB Circular A-11, Part 7 and Exhibit 300 – which includes the use of EVM to track project costs, schedules, and work accomplished.

Both the Office of Information Resources Management (OIRM) and the Office of Acquisition Management and Policy (OAMP) are working in partnership with you and your program communities to strengthen the monitoring and management of major Information Technology projects – using EVM and other critical tools and techniques. Our key motivation goes well beyond mere compliance. It rests upon the adoption of _**good business practices to improve project management**_, using an integrated project team approach.

In CY 05, we will work closely with you to:

♦ Integrate EVM reporting into HHS' Capital Planning & Investment Control (CPIC) and budgetary processes.

♦ Expand opportunities for EVM training throughout HHS, under the auspices of a Departmental Project Management Training & Certification program.

♦ Strengthen the standardization and contractual authorization of EVM requirements across the Department.

♦ Develop IT & acquisition regulations, policies, and procedures on EVM that implement or supplement new government-wide rules on the subject.

♦ Prepare a business case to review, select, pilot, and implement EVM software that will be used by project managers Department-wide.

ATTACHMENT 2

♦ Establish appropriate internal and external EVM reporting requirements, including frequency of reporting.

♦ Refine and launch the Department's three-tiered "Earned Value Roadmap".

We look forward to discussing this collaborative EVM implementation framework at future meetings of the CIO Council, IT Investment Review Board, and Executive Committee for Acquisition, and related venues. Embracing EVM will enable the Department to acquire high-quality IT capital assets on time and within budget – thus helping to meet both our critical program goals and fiduciary responsibility to the taxpayers.

Charles Havekost
Marc R. Weisman

Attachment

cc   Ed Sontag
        Catherine Tyrell
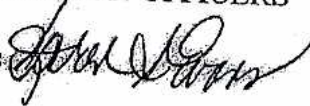   Kerry Weems

Attachment

M-04-24

August 23, 2004

MEMORANDUM FOR: CHIEF INFORMATION OFFICERS

From: Karen S. Evans
    Administrator
    Office of E-Government and Information Technology

SUBJECT: Expanded Electronic Government (E-Gov) President's
Management Agenda (PMA) Scorecard Cost, Schedule and
Performance Standard for Success

This memorandum provides additional information on the President's Management
Agenda (PMA) Expanded Electronic Government (E-Gov) initiative and the standard for
success concerning cost, schedule, and performance goals. As you know, to achieve a
"green" level of performance for this initiative, your agency's actual performance cannot
vary from its cost, schedule and performance goals by more than 10 percent. To achieve
a "yellow" level of performance, your agency's cost, schedule and performance overruns
and shortfalls for all major information technology (IT) projects must average less than
30 percent.[1] The following provides additional evidence that OMB looks for in
evaluating whether your agency meets these performance levels.

OMB looks forward to hearing from your agency before the end of the applicable
Scorecard evaluation period with any additional evidence you may wish to provide.
Questions about this e-Gov Scorecard element should be directed to Lauren Uher at
luher@omb.eop.gov.

Additional Background Evidence

In evaluating whether an agency meets the "green" standard for
cost/schedule/performance adherence, OMB looks for affirmative answers to the
following questions:

- *Is the agency using earned value management to plan and manage development
activities for major IT investments (including development effort under a*

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[1] This standard is based on the policy in OMB Circular A-11, Part 7, requiring agencies use earned value
management (EVM) to plan and manage major IT development efforts to achieve, on average, 90 percent
of approved cost, schedule, and performance goals. (OMB Circular A-11, Part 7, found at:
http://www.whitehouse.gov/omb/circulars/a11/04toc.html)

mixed-lifecycle investment), and operational analyses for steady state performance? Evidence should include:

- a documented agency policy for using EVM and performing operational analyses (e.g., agency's system development lifecycle management methodology, capital planning and investment control process, and/or acquisition management directives);
- established cost, schedule and performance baselines for affected projects, and;
- examples of how the agency uses data and analysis to make project management and IT portfolio management decisions (i.e., how and when is performance data received by the agency; who reviews it; is further analysis done; does the agency use a tool to manage the data reported; how is performance information reported to senior management, and what do they do with the information).

- *Are the earned value data and analysis used to measure and report work progress on these investments produced by EVM systems (either departmental and/or contractor, as appropriate, depending on where the work is performed) that meet the EVMS guidelines in ANSI/EIA-STD-748?* Evidence should include contract language and/or project charter (for in-house projects) requiring the use of EVMS that meets the ANSI/EIA-STD (and specifying what data and analysis the contractor(s) or in-house team must report and when) or independent validation that the EVMS system is ANSI/EIA-STD compliant.

- *Using earned value or operational analyses, as appropriate, how does actual cumulative performance measure up against the approved cost and schedule baselines, i.e., are variances equal to or less than 10 percent? Is the project generally on-track to deliver capabilities as originally intended, or have technical requirements been reduced or otherwise modified?* Evidence should include current cumulative EVM data and variance analyses, and corrective action plans (if necessary).

As a reminder, for operational investments, agencies are expected to use operational analyses to determine how close the investment is to meeting its operational cost, schedule and performance goals.